

**KANSAS DEPARTMENT OF CREDIT UNIONS**  
**400 Kansas Avenue Suite B**  
**Topeka, Kansas 66603**  
**Phone (785) 296-3021**  
**FAX (785) 296-6830**

**ADMINISTRATOR'S BULLETIN**

**AB – 05 - 01**

**April 15, 2005**

**CREDIT UNION COUNCIL MEETING**

The next meeting of the Credit Union Council will be at 10:00 a.m., June 2, 2005 in the KSDCU conference room, 400 Kansas Avenue, Suite B, Topeka, Kansas. The seven member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

Current Council Members are:

Steve A. Ray, Chair	Kansas City, Ks.
Tony Augusto	Berryton, Ks.
Gilbert Benton	Cimarron, Ks.
Mark C. Bezdek	Topeka, Ks.
Mark Kolarik	Pittsburg, Ks.
Gary A. Regoli	Wichita, Ks.
Erich Schaefer	Garden City, Ks.

**Index for Variable Rate Investments**

In recent months, several Kansas chartered credit unions have been offered the opportunity to purchase of variable rate investments which are tied to an index based on the Consumer Price Index (CPI) and other cost of living or inflation based indexes. Variable rate investments using indexes based on the CPI and other cost of living or inflation rates are not permitted under our Investment Guidelines. Nor are variable rate investments using indexes based on foreign currencies or interest rates, commodity prices or equity prices are not permitted under our Investment Guidelines.

If the interest rate on a variable rate investment is tied to an index, the index must be a U.S. domestic interest rate index, including a U.S. dollar-denominated London Interbank Offered Rate (LIBOR) index. Before purchasing any investment the credit union should review the Kansas Department of Credit Unions Administrator's Investment Guidelines to insure the investment is permissible.

**Delinquency Charges**

Management officials of all Kansas Chartered Credit Unions should review Kansas Statute Annotated 16a-2-502 to determine compliance when imposing a delinquency charge to consumer credit transactions. This procedure has become an examination issue in recent credit union reviews.

**Reporting "Managed Liquidity"**

Kansas Chartered Credit Unions are reminded to include funds on deposit in Account 004-Managed Liquidity at Kansas Corporate Credit Union in the amount reported as "**Cash on Deposit in Corporate Credit Unions**" on Line 2a under on Page 1 of the NCUA 5300 Call Report (5300 & 5300SF).

**2005 Roster of Credit Union Officials and Oath of Directors and Committee Members**

On January 21, 2005, KDCU mailed Kansas 2005 Roster of Credit Union Officials, a required report under K.S.A. 17-2206(a), and the 2005 Oath of Directors and Committee Members, a required report under K.S.A. 17-2208(c). These forms are to be completed after your annual meeting in 2005.

This year our office is going to make a focused effort to obtain these forms from each Kansas chartered credit union. The Rosters are frequently used by staff in our normal course of business.

As stated in our letter of January 21, 2005, NCUA also requires you to furnish them a copy of their form "Report of Officials" either in paper form or electronically. NCUA's "Report of Officials" form is not acceptable in lieu of our form because it does not show the date elected and date expired for the terms of the board and committees and NCUA will not accept our forms. Therefore, please send the "Report of Officials" to NCUA and the "Roster of Credit Union Officials" to the Kansas Department of Credit Unions.

If you have any questions, please feel free to call our office at (785) 296-3021.

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**Reporting / Accounting for Overdraft  
Balances**

The National Credit Union Administration (NCUA) recently issued Letter No. 05-CU-03 "Overdraft Protection (Bounce Protection) Programs" to all federally insured credit unions. Letter 05-CU-03 included a document titled "Interagency Guidance on Overdraft Protection Programs."

All credit unions offering share draft accounts should read the letter and enclosure thoroughly, even if they do not offer Overdraft Protection (Bounce Protection) Programs. The letter and enclosure contain much useful information pertinent to credit unions with share draft programs.

Two items contained in the enclosure are of particular interest and should be adhered to by all Kansas chartered credit unions:

1. Overdraft balances should be reported on regulatory reports as loans.
2. Overdraft losses should be charged off against the allowance for loan and lease losses.

**ARE YOU "WEBLINKING"?**

Many Kansas credit unions maintain sites on the World Wide Web. Many websites are initially developed as informational and then are subsequently expanded to perform financial transactions, such as fund transfers and bill pay capabilities.

Almost all websites contain "weblinks". A weblink is a word or image on a web page that will transport the viewer to a different part of the website or a totally different website with the click of the mouse. While this is a convenient and widely accepted tool in web design, their use presents certain risks to credit unions.

When credit unions use weblinks to connect to third party websites, two primary types of risk arises, reputation risk and compliance risk for the credit union, even though the service available through the weblink is provided by the third party.

To reduce risk, management is expected to effectively plan, implement, and continually monitor the credit union's weblinking relationships. While good up front planning can ensure selected weblinks support the credit union's overall strategy, risk management should also include ongoing monitoring of content, services, and products provided by the third party website.

As credit union websites have become more common place, NCUA has released several Letters to Credit Unions for guidance on the risks associated with the internet and E-commerce.

You can find the following publication on-line. Weblinking: Identifying Risk and Risk Management Techniques (April 2003), and other credit union guidance is available at [www.ncua.gov](http://www.ncua.gov).

**KDCU STAFF**

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